THE METROPOLITAN BOSTON DEVELOPMENT FUND:

A PROPOSAL

CITIZENS HOUSING AND PLANNING ASSOCIATION
of Metropolitan Boston, Inc.
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A PROPOSAL

For more than a year, a task force of the Citizens Housing and Planning Association of Metropolitan Boston, Inc. has been studying the feasibility of establishing a housing development fund in Greater Boston. The task force has met with leading businessmen, government officials and neighborhood and church groups to get their advice and gauge the potential support for such a fund. Consultants from Urban America, Inc., a national nonprofit organization concerned with city problems, have also assisted the task force.

This draft proposal was prepared by John Plunkett of CHPA under the direction of Roger Evans, chairman of the task force and the person responsible for the section on Capitalization, John Bok, president of CHPA, and Robert McKay, director of CHPA. It is intended to describe the need for such a fund, its potential program, its organizational structure and its projected budget.

September, 1968

PREFACE

Boston in 1968 is a city burdened with the same mountainous problems worrying all other major American cities. Bad housing is one of these problems, a heritage of many years of public neglect. It is almost 20 years since the United States Congress made a public pledge in 1949 guaranteeing every American family "a decent home." A walk today through most Boston neighborhoods is a walk past acres of shoddy housing, the homes usually of the poor, the old and other families without money enough to compete for decent homes in the free market.

For a time, in the early and mid-60's, Boston seemed on the verge of a serious effort to work through its housing problems. The city was responding to the strong direction of a mayor and a development administrator committed to rebuilding. A talented administrator was appointed to the Boston Housing Authority, the federal government proposed new programs, like the 221-d-3 program, opening a way toward housing construction for churches, unions and philanthropic groups. The state government, through a legislative commission on low-income housing, looked sharply at the housing problems of the thousands of low-income and moderate-income families in Massachusetts, and proposed large-scale state programs to solve them.

But the enthusiasm faded as housing production ran into serious snags. Now we are nearing the end of this decade. There is a good chance that the rate of deterioration of Boston's housing stock has been faster than the effort to rebuild, and that a census today would find more than the one of every five housing units substandard that the federal census found in 1960.

Only recently, in programs like the Boston Rehabilitation Program and the Infill Program[1], has Boston seen the kind of effort to renew the housing stock that might eventually fit the need.

The following pages treat some of the problems in producing housing that have short-circuited the enthusiasms of several years ago. This document also proposes a solution, a housing development fund designed mainly as a catalyst to speed the programs designed to build.

The programs for housing are there and with significant new additions. The federal housing legislation of 1968 proposes a $5.4 billion effort to build six million units nationally over 10 years[2], including a major push to increase home ownership by subsidizing interest rates to as low as one per cent. In Massachusetts this year, the legislature gave the Massachusetts Housing Finance Agency the tools to go to work. That agency is authorized to borrow $50 million for housing. A group of Boston financial institutions earlier this year pledged a pool of mortgage funds for housing of $50 million. A state program, still unused, has an authorization of $37.5 million to build and rehabilitate housing for large families.

However, the past several years have taught us that neither the availability of mortgage funds nor the existence of government programs is a guarantee that housing will be produced in quantities large enough to stem the deterioration of a city.

It was because existing programs were not working fast enough and on a scale large enough to make a dent in Greater Boston's housing problem that a task force of the Citizens Housing and Planning Association was formed more than a year ago to study the obstructions to housing production, and to propose a way around or through them.

The task force found that more than 200 development funds, most of them geared to industrial expansion, were in operation around the country. The task force also found a growing number of cities had seized on the device to quicken the pace of housing construction. In the past two years, more than 30

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[1]Footnotes start on p. 36.

housing funds were formed in American cities.

A brief draft proposal for such a fund to work in metropolitan Boston was distributed in the early months of 1968 to persons and agencies in Boston, including the new mayor, the Boston Redevelopment Authority, the leading members of the black community, the Urban Coalition, and various officers of downtown financial institutions. In the months of review, no one voiced any opposition to the central idea of the development fund proposal. The ideas postulated in the proposal and in conversations about it have become part of a community of ideas among those who wish to speed housing construction and other proposals have grown from it.

This document was written to expand those ideas into a proposal more specific than the first draft. For the need to hurry the pace of housing construction in Boston is still an urgent concern of Citizens Housing and Planning Association. The association's task force believes that a development fund, such as the one proposed here, can be a center of the energy and imagination necessary to carry Boston into a decade of rebuilding, a decade that can finally fulfill the promise of decent homes and peaceful and growing neighborhoods for all citizens of metropolitan Boston.

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Association of Metropolitan Boston, Inc.

CONTENTS AND SUMMARY

SYNOPSIS: A revolving development fund, adequately staffed and financed, will act as the private catalyst to increase housing construction for low-income and middle-income families in Boston and elsewhere in the metropolitan area. Such a fund would lend seed money and technical help to nonprofit housing corporations to allow many such corporations to begin work. It would also provide quick money necessary in the city, exert pressure constantly at bureaucratic bottlenecks, find creative ways to use existing programs, provide the rallying point for community organization, and act to correct other faults in the housing development process.

SYNOPSIS: The fund will have two policy levels, a general board, widely representative, called the Board of Trustees, and a second, community-level board, comprised of Community Boards of Directors. The Board of Trustees will allocate money in an annual capital budget. The Community Boards will dispense the money and make quarterly accountings to the Board of Trustees. The Board of Trustees will review progress quarterly, and may reallocate funds not already committed, to speed work along in some areas. The executive staff will include a president, chosen by the trustees, and an area director, chosen by the president and the Community Board of Directors of the black community, where the most pressing need exists. Another area director will be chosen, as money permits, to work with other community boards. Staff will be added as the Fund grows, and temporary technical staff may possibly be borrowed from time to time from the business community.

SYNOPSIS: If the fund is to work successfully, its capitalization should be large enough to support a full-time staff competent to work on a scale to match current federal, state and private programs. Authorizations for state and private housing programs alone have reached $157.5 million. Approximately $150,000 a year would be necessary to work on such a scale, the yield from a $3 million revolving fund whose principal is invested at an average five per cent return. The bulk of the Fund, like other such funds in the nation, should come from the private sector. Other financing would come from charitable and foundation sources and, possibly, from fees charged by the fund for consulting work.

I THE SQUEEZE IN LOW-INCOME HOUSING

SYNOPSIS: Despite the fact that the 1960 census revealed that about 20 per cent of housing units in metropolitan Boston were substandard, there has been little movement since that time to meet the needs of low- and middle-income groups for standard housing. This shortage in the housing supply tends to push up rents, further afflicting those with the least income, and increasing the frustrations of the black community. A determination has grown to do something about the problem and to come to grips with the reasons why federal and state programs are not working as well as they should to build needed housing for low-income and middle-income families.

Many thousands of our citizens in metropolitan Boston continue to live in substandard housing. In the city of Boston alone, the 1960 census revealed that nearly 50 thousand housing units were substandard, about 20 per cent of them in the black community. About half of the Negro population was living in substandard housing. In the metropolitan area, the census counted 112,900 substandard units, nearly 20 per cent of the total. What evidence there is indicates this grim picture has not been materially changed in the last eight years.

Shoddy housing is an important part of the malaise which persists in American society: the continued presence in the midst of a prosperous society of a large pool of poor families and individuals, black and white, who bear the main burden of discrimination, unemployment, ill health and other social problems. Combined, these problems make an explosive mixture which threatens the future of Boston and other large American cities.

Because substandard housing falls mainly to the low-income family, many Bostonians look to the city's public housing program to provide adequate

housing for the poor. Yet no public housing for poor families has been built in the city for more than 13 years, although some units for the elderly have been constructed. Rent supplement programs[1] have only now begun to touch the problem. Meanwhile, the waiting list for public housing in Boston stands at about 6,840 active applications by families and individuals.

The major reliance in Boston on rent supplements has been on the federal leasing program administered by the Boston Housing Authority. Under the program, the authority uses federal funds to make up the difference between public housing rents[2] and market rents for families placed in standard units on the open real estate market. The program, after more than a year of operation, now includes 1,115 units, and has begun to move because of new housing construction and rehabilitation in the Boston Rehabilitation Program and the Infill Program.

One of the main reasons for the creeping pace of the program at first was the shortage of adequate housing available in Boston, especially for large families. Problems arising from this shortage in the housing supply are aggravated in Boston because the city's major source of revenue is the yield from the property tax. Competition for housing is pushing up rents, and lately has given rise to a consideration by the Boston City Council of rent controls. The increasing rents add cruelly to the problems of the poor, living unaided by rent supplements, especially the elderly living on fixed incomes. Rising rents, caught in the squeeze between supply and demand, are probably accelerating the flight of the middle class from the core city. As the middle class leaves, the proportion of the poor left behind rises, and so does the weight of taxes on real property. As the tax rises, so do rents.

The shortage of housing is documented by the federal Bureau of the Census and the federal Department of Housing and Urban Development (HUD) in periodic estimates of the percentage of urban vacant housing units. A report from the Bureau of the Census in March, 1968[3] put the average vacancy rate for core cities in the Northeast at 4.3 per cent. HUD's analysis of the Boston housing

market in October, 1967[4] found far fewer vacancies than this average and put the Boston rate at 3.2 per cent. A vacancy rate analysis by the Post Office found even fewer and put the Boston rate at 2.0 per cent.

The upward squeeze on rents was documented in 1966 by the U.S. Department of Labor[5], which put the index of shelter costs for renters in Boston at 111, where the national urban average cost index was 100.

HUD's analysis of the Boston housing market estimated the market price for rental units by finding the price at which supply and demand curves crossed. The demand curve for the greatest number of two-bedroom apartments was at $145 a month[6]. A family paying 25 per cent of its income for shelter, therefore, would need an annual income of about $6,960 to afford a two-bedroom apartment in the free rental market in Boston. Thousands[7] of Boston families are caught below that annual income, and many with lower incomes must have larger than two-bedroom apartments if they are to avoid overcrowding.

These thousands need some form of subsidy if they are to live in decent apartments. They look to the federal and state governments for programs which will supply these subsidies, either through public housing, rent or income supplements, or mortgage interest subsidies. Many programs have been passed and funded by Congress and the state legislature in response to that need.

Some federal funds were slowed because of the danger of inflation stemming from the high cost of the war in Vietnam. But, although there has been a tendency to blame the war, existing programs, for which funds have been available, have not worked well enough to make a substantial difference in providing housing for low-income and middle-income families and individuals in metropolitan Boston, because of problems in the programs or in their administration.

These problems, by no means restricted to housing programs, have contributed to a pattern of program development and program delay or failure, of promise and disappointment, which has created a vast cynicism and anger in the black community.

Lately, there has been a growing resolution in Boston, both on the part of the government and the business community, to undertake housing programs which are large and active enough to make a difference[8], and to restore the faith in American institutions which has been ebbing among the poor. It is critically important not to fail in these undertakings. Therefore, it is critically important to look at the faults of existing programs in order not to repeat them.

II OBSTACLES TO HOUSING PROGRAMS

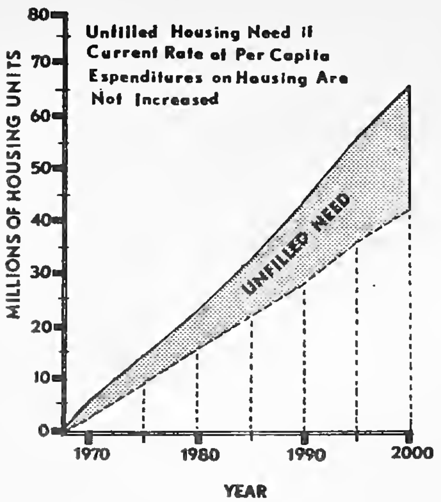
SYNOPSIS: A review of some of the problems in pushing housing programs ahead reveals technical and procedural delays, like high construction costs and bureaucratic lags. There are some financial problems, such as the lack of seed money for non-profit organizations, the difficulty of sustaining the flow of insured mortgage money into building projects, and the lack of small, high-risk sums for down payments. There are also social problems dealing with the poor in the city and the residents of suburbia. It is possible that a private organization, founded by the business community, may be able to mesh public and private efforts to quicken the pace of housing construction.

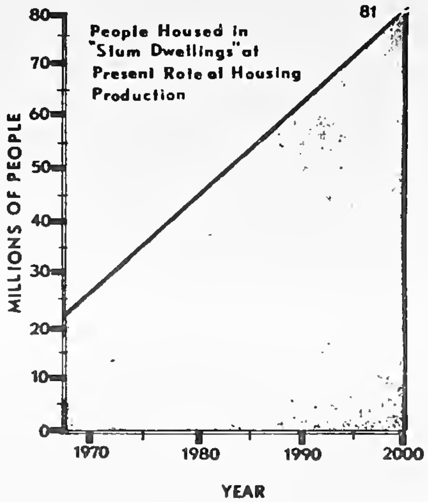
The United States Congress, in the preamble of the National Housing Act of 1949, promised Americans "a decent home and a suitable living environment for every American family"[1]. Almost 20 years later, the National Advisory Commission on Civil Disorders - the Kerner Report of 1968 - reported to the President that:

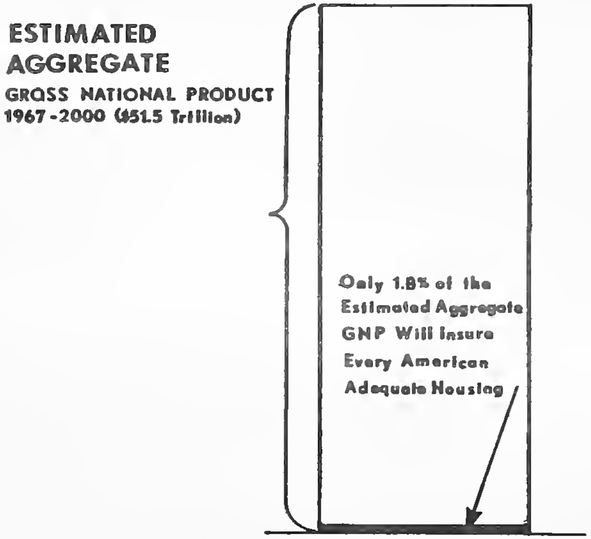
> "Today, after more than three decades of fragmented and grossly under-funded federal housing programs, decent housing remains a chronic problem for the disadvantaged urban household. Fifty-six percent of the country's non-white families live in central cities today, and of these, nearly two-thirds live in neighborhoods marked by substandard housing and general urban blight. For those citizens, condemned by segregation and poverty to live in the decaying slums of our central cities, the goal of a decent home and suitable environment is as far distant as ever."

Some promising programs have been developed and funded by Congress. The Commonwealth also has provided programs and funds for housing low-income

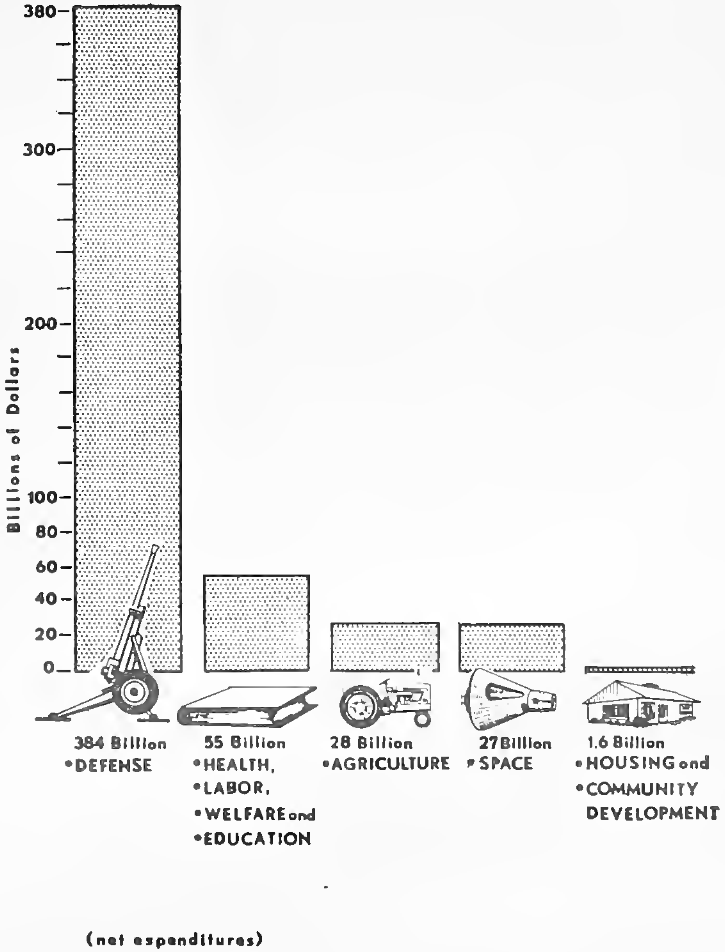
HOUSING NEEDS







FEDERAL EXPENDITURES FISCAL YEARS 1960-1967



SOURCE: Victory Over Human Blight, Recommendations of the Metropolitan Housing and Planning Council, Chicago, 1967.

families. It was hoped that these programs would solve many of the city's housing problems, but so far they have not made a substantial dent. Some of the snags that have held up housing development are examined below. Although this section does not pretend to touch on all the difficulties, it will review those which recur most frequently in studies of housing programs, and in the conversations of those most concerned with providing housing for the poor and the lower middle-income families. Moreover, it will review these difficulties in the light of the following section, a proposal which could break through roadblocks to housing.

A. Technical and Procedural Problems

Construction Costs: One of the recurring complaints in discussions of housing is the constantly rising cost of housing construction. These costs in the Boston area have been rising over the past five years at an average rate of 3.6% a year. The most observable effect of rising costs has been on rents in middle-income housing developments. The Federal Housing Administration, which administers the 221-d-3 program[2], the main reliance for subsidized middle-income housing, allows a sliding scale of rents to be charged to d-3 tenants[3]. The rise in construction costs and the consequent increase in amortization payments is one of the chief pressures pushing rents toward the top of the scale.[4]

Rising costs have lessened the beneficial effect of the federal interest subsidy for housing construction. The present national administration has proposed, and Congress passed legislation this year, to offset this by increasing the subsidy on interest payments for insured loans and bringing interest to as low as one per cent.

As for the costs of construction, they are likely to continue to rise for the foreseeable future, especially if the building industry itself continues as a loosely-bound collection of entrepreneurial companies erecting house by house on site without the benefits of central capital and mass production.

One benefit of large capital in America today is significant research and development. The housing industry, fragmented as it is, can afford virtually no experiments. The federal government funds almost no significant experiments, and there is no local body, public or private, which can expend experimental funds and collect data with an eye to applying results to new housing.

Bureaucratic Delays: The ways of the bureaucrat are well enough known to be fixed in folklore. The delays of the bureaucratic process, which often appear willful to the citizen, seem to be rooted not only in caution about dispensing public money, a motive the citizen must applaud, but also in the desire of the bureaucrat himself to escape the personal responsibility of decision. Whatever the reasons, the delay is there. But the problems of housing in the cities, especially in black neighborhoods, have grown so immense that bureaucratic delays lend the peculiarly dreamlike atmosphere of slow motion in the face of danger to programs to rebuild neighborhoods.

The Federal Housing Administration has borne much of the criticism of excessive caution. Senator Edward W. Brooke, one of its chief critics, wrote recently:

> "Finally, there is the matter of speed and scale. In 1962, the FHA commissioner testified that he expected 60,000 units to be built annually under this program (221-d-3). To date, the total number of construction starts in over five years is only 83,788, a little more than the number of units anticipated to be built in one year. Until recently, the average processing time before construction could begin on a 221-d-3 project was 18 months; one case with which I am particularly familiar - in Malden - took 29 months. There has clearly been no sense of urgency here[5]."

Nor is the FHA alone in delay. Development time for public housing projects in Boston has been as much as four years. On the state level, the rental assistance program, more than a year old at this writing, has hardly moved, nor has a rehabilitation program which the legislature many months ago approved and funded. The progress of local approvals through the Boston Redevelopment Authority, the Boston Building Department and the Board of Appeals

was chartered recently in an experimental rehabilitation project in the South End. In one fairly typical case, drawings were submitted in March, 1967, and did not emerge from the approval process until September.

Bureaucratic delays, which almost always add to costs, are not inevitable. They can fall before pressure if the pressure is constant and formidable. The Boston Rehabilitation Program[6], a large-scale rehabilitation project mainly in Roxbury and North Dorchester, was processed with unprecedented speed late in 1967 because of unusual federal pressures on the FHA. The Infill Program, still in preparation at this writing, seems to have broken through municipal bureaucracy because of constant pressure from the Boston Redevelopment Authority and the mayor's office.

B. Financial Problems

The Nonprofit Corporation: Federal legislation aimed at expanding the supply of low-income and middle-income housing, including the 1968 housing legislation, has given a special place to the nonprofit corporation - the church, civic or union group which feels a commitment to do something tangible about housing. For instance, in the 221-d-3 program, the nonprofit corporation acting as sponsor of a housing development can qualify for FHA-insured loans of 100 per cent of construction cost for about three per cent interest for terms up to 40 years. However, this program has not lived up to its promise of activating many nonprofit groups. Limited-dividend groups using this program, which have the potent advantage of tax benefits from property depreciation, have built 4,827 units in metropolitan Boston. Nonprofit groups have built 1,400 units.

There are many reasons for this, including attitudes on the part of the FHA and on the part of many nonprofit groups, but one of the chief reasons is that nonprofit groups usually have neither the initial funds to start housing developments nor the funds to acquire technical expertise to carry them through successfully.

There are many groups in metropolitan Boston who have some interest in sponsoring housing, but who lack the money (ranging from $10,000 to $50,000)

for such initial expenses (before FHA commitment) as land options, architectural and legal fees and soil-testing costs. Without this seed money, they cannot take advantage of federal programs, even if they are willing to persist through the deadening procedures and paper work of the FHA.

This lack of progress in activating the nonprofit developers wastes the potential that exists in these groups. There are special problems in dealing with residents of low-income housing, problems for which the nonprofit groups are much better suited, both in temperament and conviction, to deal with than those groups whose main interest has to be in making the project pay. Management problems, for instance, in low-income and lower-middle-income housing are far different from management problems in housing intended for more stable groups in society. Many nonprofit groups, as part of their normal functioning, take on the social problems which often make low-income housing management difficult. Undoubtedly, these were the reasons that the nonprofit corporations were given a special place in the federal legislation. However, the figures show that the intent is not being carried out adequately.

Again, there is no repository in metropolitan Boston of a sufficient pool of lendable seed money, no organization which has the technical staff to back up a neophyte housing sponsor, the weight to move papers from desk to desk in government offices and the persistence to prod nonprofit sponsors into continuous effort.

<u>Mortgage</u> <u>Money:</u> There has been in the past, notably in 1966, and there will be in the future, a shortage of mortgage funds among lending institutions. However, federal insurance and a growing determination in the business community to respond to urban crises promise to prop up the supply of mortgage funds for middle-income housing (and the low-income housing that can stem from it though federal and state supplements). The $50 million mortgage loan fund pledged by insurance and financial houses in Boston promises no shortage of FHA insured mortgage money for the time being. However, the obligation of the business

community is not fulfilled simply by making mortgage money available at seven and one-quarter per cent, provided a government guarantee is found. The banking and business community must see to it that a vehicle is created which will make certain suitable mortgage requests are guaranteed by those who need the housing. Not many years ago, financial institutions in Boston pledged a supply of $20 million for mortgages in Roxbury, but little more than 10 per cent of that sum ever was put to work. The reservoir of mortgage funds is important, but without a privately-sponsored institution to help applicants decide on a realistic building program and follow that decision through to an FHA guarantee and a mortgage application, the mortgage fund is unlikely to work.

Quick Money: With the heavy reliance on public agencies to fulfill social goals, Bostonians have had to accept the stringent governmental controls and accountibility necessary in the handling of public funds for housing. There is, therefore, a shortage of what might be called, for the lack of a better term, "quick money", small amounts speedily lent or given, even at high risk, which quickly solve problems public agencies would make ponderous.

Probably the major use of this type of money is in the relatively small amounts needed for down payments and closing cost, which would enable some of the poor to own their own homes. The only groups now working in this field are Fair Housing, Inc. of Boston, whose original funds for down payment are just about exhausted at this writing, and a new $10,000 fund dispensed by Citizens' Housing and Planning Association and administered by the Boston Redevelopment Authority. Fair Housing arranged the sale of 14 homes to families with a total of 82 children in the space of a year. Eight of those families were welfare recipients in the AFDC program. The organization, which keeps close track of its families in case they need more help, found that, for the most part, shelter costs were lower for families after they had bought homes than they were when those families lived in substandard housing. Fair Housing's grants for the down payment and closing costs ran about $500 for a single-family home, $700 for a two-family home, and $900 for a three-family home.

There is likely to be a larger need for this type of private money as federal mortgage subsidies increase, as a result of the 1968 Housing Act, and as more attention is focused on cooperative housing in metropolitan Boston.

C. Social Problems

The Black Community: It is almost too obvious to point out that blacks in our society bear as a group the heaviest burdens of poverty, and that among the weightiest of these burdens is substandard housing. The anger in black communities rises from this, among other deprivations. The turmoil in American cities is largely a result of this anger and the agonizing among concerned Americans is a reflection of the growing recognition of the justice in that anger.

The institutions of Boston and other American cities could have dealt with the problems of the black communities many years ago, when those problems were easier to solve. Because of the delay over many years, the physical problems have grown huge, beyond the capacity of the city alone to solve them, and the distrust among blacks of what militants see as oppressive white institutions, including government and business, has sunk very deep.

It is this distrust, verging on a complete despair in the city, which is at the root of a new temper in the black community, a resolution to rely on blacks to solve black problems, to instill pride, skill and wealth in the black community, to weld a deprived community into a powerful institution which can, in its power, deal equally with established institutions. This is a difficult undertaking but a worthwhile one. It is an important undertaking for Boston because, in large part, the city's future depends upon its success. Any public or private effort to improve the housing stock in the black community, therefore, should have this larger undertaking in mind, and should mesh with it to further the aims of black leaders to build the community's self-reliance.

Large-scale construction of housing brings with it opportunities for benefits beyond the standard housing erected, benefits of prestige, wealth and executive, professional and work skills, which cannot wisely be denied the black community.

Black leaders must participate in planning projects, their decisions on what projects would be undertaken must be accepted, they must be allowed the power of allocating and accounting for housing funds and construction should serve to build capital and expertise within the community through the use of community contractors, as well as through the use of black workers.

Any planning of projects and any money allocated for housing in the black community, then, should be done with and through community representatives. Moreover, established institutional leaders in business or in government should avoid the temptation to choose these representatives themselves. Black organizational leaders are united enough by the plight of their community to work in concert in choosing capable persons to represent the community. As the community begins to function in the planning, financing and construction of housing, the necessity of getting the work done will further unite black groups and the community will push forth persons capable of doing the work, just as the white community historically has done.

The White Community: The determination that has grown in Boston's black community to build a community institution has not weakened the strength of the push by civil rights activists for integration of housing in the metropolitan area. The justice and the necessity of the goal has not diminished, nor have the difficulties of accomplishing it[7].

It would be naive to say that the difficulties of prejudice are not still formidable in the metropolitan area[8], but there are problems beyond racial prejudice. Many town officials and citizens in the metropolitan area, judging from statements in the press, have trouble with the notion of recognizing the needs of the poor that live among them[9]. The idea of accepting a share of responsibility for housing the poor or lower middle class, of whatever race, now in the core city, does not seem to have occured to many of them.

But the fact of the matter is that the core city, by definition, is already densely populated. Population density is going to grow in the metropolitan area, and with it the need for more and decent housing for all income groups.

The 1960 census reported that 3.4 million persons were living in about one million households in metropolitan Boston. The Metropolitan Area Planning Council, looking ahead to the year 2000, estimates that 5.36 million persons will live in Greater Boston, and they will need 1.44 million households[10].

An agency, then, which takes upon itself the massive problems of housing in Boston must look beyond the borders of Boston to the metropolitan community. Municipal agencies cannot do this, state agencies are slow to attempt it, but a private agency created mainly by the business community can and properly should plan to function eventually in the whole metropolitan area. It must, therefore, have strong cooperative ties both with organizations which are metropolitan in outlook and with officials and private groups within the suburban communities. It must have sufficient weight to work with centers of power like the legislature and the state administration, and the understanding of municipal problems to work with selectmen, planning boards, town housing authorities and town meetings.

The Boston business community can build such an organization. A proposal for one, which would be able to take on many of the problems mentioned in this section, is outlined in the following section.

III A HOUSING DEVELOPMENT FUND

> SYNOPSIS: A revolving development fund, adequately staffed and financed, will act as the private catalyst to increase housing construction for low-income and middle-income families in Boston and elsewhere in the metropolitan area. Such a fund would lend seed money and technical help to nonprofit housing corporations to allow many such corporations to begin work. It would also provide quick money necessary in the city, exert pressure constantly at bureaucratic bottlenecks, find creative ways to use existing programs, provide the rallying point for community organization, and act to correct other faults in the housing development process.

An increasing number of American cities have found the nonprofit housing development fund a useful tool in overcoming problems in producing adequate housing. Such a fund can be defined as an organization using and investing revolving funds, the bulk of them privately subscribed, to provide initial impetus and supplemental aid not otherwise available, for the physical improvement and renewal of urban communities[1].

During the past two years, almost 30 such funds have been started in cities. In Pittsburgh, a housing development firm has loaned $430,000, generating more than $5 million worth of housing. A total of $206,000 has been repaid, to be loaned out again. The North Carolina Low Income Housing Development Fund used $450,000 to generate low-income housing valued at $18 million. Housing funds are at work in Philadelphia, Hartford, Denver, St. Louis, Cleveland, Chicago, Detroit, and other cities.

The fund for Boston, relying mainly on private money, would be an arm of the business community charged with carrying out that community's commitment to the social goals of housing in the metropolitan area. In form, then, the Fund will be private; its functions will be public.

Its general direction will be vested in a board which would represent the business community, as well as other appropriate interests in the metropolitan area. But its particular direction within neighborhoods will be overseen by neighborhood boards which will have the power of the Fund in their localities, and accountable to the general board for money allocated to them for disbursement.

Because the success of the Fund will depend upon continuing effort and a ready supply of technical help, the Fund will be a formal organization with a full-time staff. Because it should be largely self-supporting after its initial capitalization and some organizing time, its revolving fund must be large enough to support an adequate staff from interest on loans, as well as large enough to be an important force in the production of housing.

Below are some of the activities the Fund would carry on, particularly in light of snags in the housing production process outlined in the previous section.

Seed Money, Technical Help for Nonprofit Corporations: There is now no clear assessment of how many church, civic or labor groups in the metropolitan area wish to take advantage of federal programs, particularly the 221-d-3 program, to act as sponsors of housing, but many do exist[2]. In Boston's South End alone, four groups are searching for money to further construction and rehabilitation. It seems likely that many more would come forward, or could be prompted to come forward, if the nonprofit sponsor did not face the formidable barrier of fees and other costs, usually unrecoverable if its application is disapproved, before it is assured that the project is feasible.

Nor is the problem money alone, but also a normal doubt on the part of would-be sponsors as to whether they can carry through such a project, or whether the project is practical. To compound the problem, nonprofit sponsors, through inexperience, sometimes underestimate the problems in such an undertaking. They may look to the FHA for help, but often the FHA, used to dealing with persons already experienced in the housing field, has little encouragement for the neophyte sponsor[3].

A development fund, then, will not only be an organization ready to lend what the would-be sponsor needs for initial expenses, but also an organization of technical personnel ready to help the nonprofit group shape its proposal into something practical, to let it know what difficulties can be expected, and to shepherd the proposal through the FHA.

Loans to the nonprofit sponsor will be repaid to the Fund, once mortgage funds are released, as justifiable expenses incident to housing construction. Interest from these loans will be used in sustaining the Development Fund, and repaid principal, of course, will reenter the revolving fund for use again.

Limited-dividend corporations have developed more housing under federal programs than nonprofit sponsors, and the fund also will be open to applications for prefinancing to them to the extent that normal financing channels are not, for the fund is not intended to compete with commercial financing. These profit-making corporations are eligible for long-term, FHA-insured loans of up to 90 per cent of development costs at about three per cent interest. They are required to furnish 10 per cent of the equity in a project[4].

The reason for the relative success of the limited-dividend corporation is that, as established corporations, they already have developed within themselves the initial capital and the technical aid necessary to carry out housing development. They also have the experience to command respect with the FHA.

Because they are profit-making organizations, and because they have capital already, they also enjoy the advantage of the negative cash flow in accelerated tax depreciation on projects they build[5]. This is an important advantage which the nonprofit corporation does not have.

Depreciation is an important method of increasing capital, and the Fund, with its interest in producing not only housing but also social and financial stability within deprived communities, might search for some means to meld the limited-dividend and the nonprofit corporation, so that nonprofit could eventually benefit from the depreciation advantage of the profit-making corporation.

Clearing House Function: Once the Fund is established and broadly based through its community components, it will attract most of the requests for housing development money that now flow to charitable organizations, or, as high-risk proposals, to financial institutions. The Fund will be a clearing house for such requests, and a fairly accurate barometer of the demand for high-risk capital for housing. Needless to say, this clearing house function will save considerable time now spent by various organizations in reviewing applications.

Technical Staff: Because the fund will have an adequate full-time staff an active and skilled administrator, it can be expected to be active wherever the staff finds a snarl in the housing production process. Programs underway in Boston[6] indicate that consistent work and constant pressure have been able to move proposals quickly through bureaucratic bottlenecks. The Fund, with the prestige of the business community behind it, can take on this trouble-shooting job regularly, and an administrator whose full-time job is pushing programs ahead will make a marked difference in the pace of housing.

The large-scale projects mentioned above also have shown the power of packaging programs: spotting the potential in combining the public and private effort necessary to accomplish a goal, and in bringing together the necessary personnel to carry a project through quickly. This packaging function is carried on almost routinely in the private sector, but it is not widely encouraged in public service where programs tend to become rigidly standardized. The scope of this packaging role would be limited only by the time and imagination of the Fund's technical staff, and it may be possible, if it is necessary, to borrow skilled help temporarily from business to carry out specific tasks[7].

Quick Money[8]: The necessity of having this type of money available for housing was explained in the previous section. Often funds used in this way would not be recovered, but small amounts of unrecoverable funds, placed judiciously, might increase home ownership among the poor and make a large contribution towards a stable community.

Research and Development, Innovative Money: The building industry is not an industry in the sense in which the word is usually used, referring to a sector of the economy characterized by large corporate units producing similar products. In some industries, automobiles or aerospace, for instance, the corporate units are gigantic and they can spend huge sums in research and development.

The building industry, on the other hand, is characterized by many small units, none of whom can afford large sums for research[9]. (In fact, it is the small size of the units which leaves the field open to entrepreneurs and leads many to look in the building field for opportunities for speedy development of jobs and capital in the black community.)

The federal government recognizes the need for research and development in this field, but has not met the need adequately through demonstration grants. The development fund cannot hope to meet the need in any large way, but even small grants spent wisely in this area can be valuable. The Fund, then, should expect to make some grants to fund studies and innovations. The Fund also should attract grants large enough to demonstrate the results of research. The data collected and the successful materials and techniques developed in this way would be open for free use to the building industry.

Organizational Ties: The Fund will not exist in a vacuum. As part of its function, it will have to create and secure ties to many organizations and agencies in the city, both public and private, including neighborhood organizations, in its work toward a stable, decently housed community. The Fund also must develop ties to officials and organizations in suburban communities in its work to refocus suburban viewpoints on housing to include responsibilities to the core city.

The Fund will need close ties, perhaps on a contractual basis, to organizations which already have a metropolitan outlook, like Citizens Housing and Planning Association, in order to call upon them for educational help, aid in organizing community groups to support housing efforts, help in studying problems turned up in the course of the Fund's work, help in drawing up legislation which

may be necessary to broaden the housing effort, and help in persuading city and state officials when it is necessary for them to pass legislation or take administrative action.

IV ORGANIZATION OF THE FUND

SYNOPSIS: The fund will have two policy levels, a general board, widely representative, called the Board of Trustees, and a second, community-level board, comprised of Community Boards of Directors. The Board of Trustees will allocate money in an annual capital budget. The Community Boards will dispense the money and make quarterly accountings to the Board of Trustees. The Board of Trustees will review progress quarterly, and may reallocate funds not already committed, to speed work along in some areas. The executive staff will include a president, chosen by the trustees, and an area director, chosen by the president and the Community Board of Directors of the black community, where the most pressing need exists. Another area director will be chosen, as money permits, to work with other community boards. Staff will be added as the Fund grows, and temporary technical staff may possibly be borrowed from time to time from the business community.

The Fund will be organized as a nonprofit corporation, and should obtain a ruling from the Internal Revenue Service approving its status as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code.

The Fund, in its policy-making function, will have two levels of organization, and the officers of the corporation will be chosen from the first, most widely-representative level, the Board of Trustees.

The size of the Board of Trustees would depend on the weight of representation to be given to various interests as determined in the bylaws of the organization, but practical considerations would dictate a board of not more than 20 members.

The Board of Trustees would include members to represent three distinct interests: downtown institutions, including both business and government, the

neighborhood or whatever identifiable communities might be involved in the community level of the Fund organization, and the metropolitan area, through groups which have a metropolitan interest in housing like Citizens Housing and Planning Association, Interfaith Housing, the Metropolitan Area Planning Council or the Fair Housing Federation.

Since the Fund will be, in large part, an arm of the business community in fulfilling that community's commitment to decent housing, it is expected that the business community will have a secure and leading place among the members of the Board of Trustees, and that a prestigious business leader would be chosen as the first chairman.

The general duties of the chairman will be to conduct meetings of the board, to supervise the staff executive in the performance of his duties, and generally to guide the exercise of the Fund's influence.

The Board of Trustees will raise, hold, invest and allocate money in the revolving fund. Sums will be allocated to the community boards in the second policy level of the organization, according to the estimate of need estimated by those boards and the resources avaialble. The allocations will be made in an annual capital budget.

The Community Boards of Directors, the second policy level, will be chosen within the particular communities by election, by agreement among existing agencies, or by other means which satisfy the trustees that the community board members have been chosen fairly by the community and that they are broadly representative of the desires of the community. Once the community boards are formed, they will be formally recognized by the trustees as part of the Fund organization.

Community Boards of Directors will receive allocations from the Board of Trustees and will decide how they will spend the money disbursed by the trustees to the community board involved. The Community Boards of Directors will review requests, decide which to finance, and make a quarterly report to the Board of Trustees of the funds spent and the general progress of the community.

In neighborhoods or other identifiable communities in which there is no Community Board of Directors, the staff of the Fund will work toward prompting the creation of one. Until a board is included in the Fund Organization, the trustees themselves will decide on allocations and work in those areas with the Fund's money.

In reviewing quarterly reports from community boards, the trustees may reallocate funds not being used quickly enough in one or more communities to push along promising work in another area, so that the Fund's money will be used to the full. These decisions will be reviewed beforehand with the community boards involved, and presumably such a redistribution will require more than a simple majority vote by the trustees.

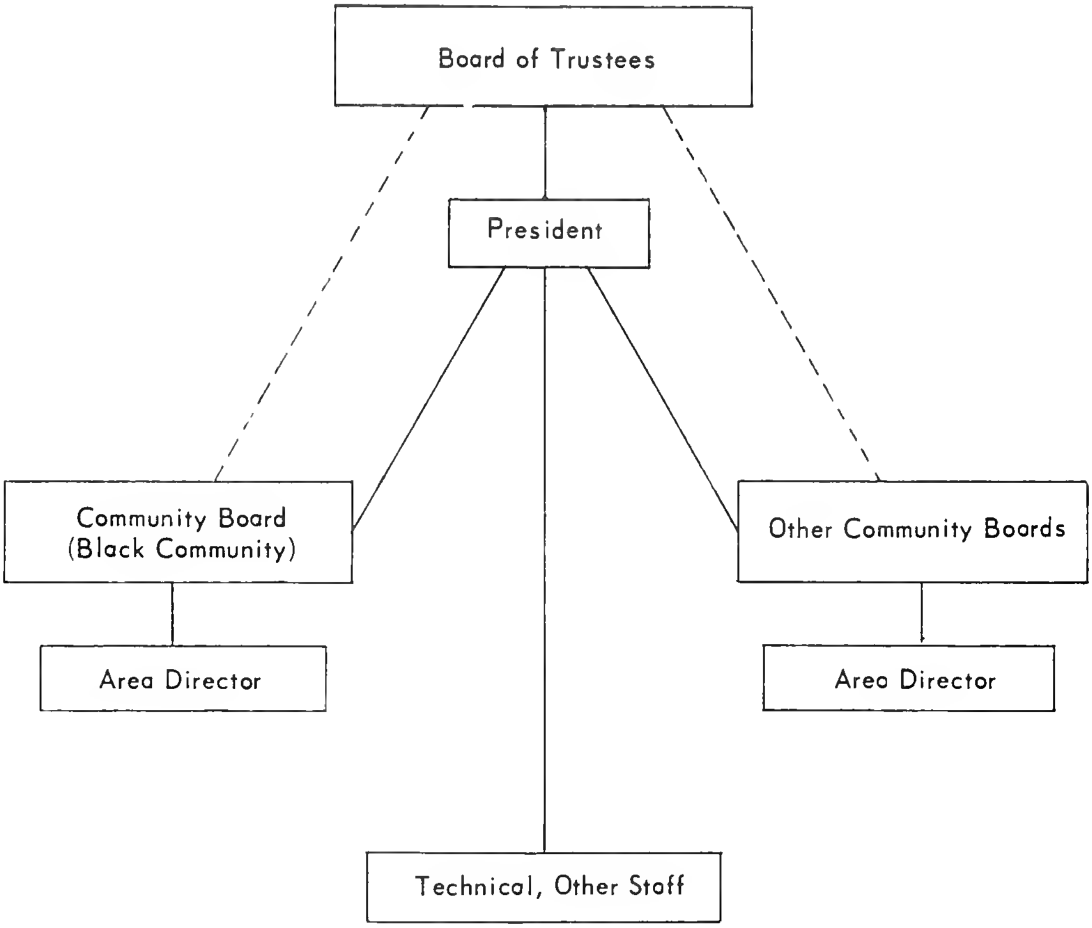
Initially, there will be two executives to lead the staff of the Fund, both of whom will also be experienced technicians in the housing field.

The first, the president of the Fund, would be hired by the Board of Trustees to be a full-time executive director of the Fund. He will, presumably, have experience in business procedures, particularly with regard to investment and mortgaging, and in the direction of technical staff in the housing field.

The second, an area director of the Fund, will be hired by the president and the Community Board of Directors for the black community. His duty will be to serve as full-time staff director for that Community Board. He will be familiar with the community, and in frequent touch with organizations within it. He, presumably, will be knowledgeable about housing programs and the technical problems in implementing them. He will be under the direction of the Community Board, especially its chairman, and will also report to the president of the Fund.

The reason for choosing an area director quickly to serve the Community Board of Directors of the black community is that much of the Fund's work will be in that community, and much of its resources can be expected to go there.

ORGANIZATION OF THE FUND



However, as the Fund develops, its work should spread. When funds permit, another area director, similarly qualified, will be chosen to service other community boards on a full-time basis.

The Fund as an organization, then, will have two faces: the first, an institutional face; the second, that of the autonomous community. The institutional Fund will see operations from a downtown, often a business-oriented point of view, conscious of the social purposes of the Fund, but cautious in preserving its financial integrity. The community Fund will see operations as a force for uplifting the people of a neighborhood, conscious of its financial responsibilities, but anxious to be of service, and to bring the people of the community into the direction of the Fund. Each of the two points of view will have a firm base within the one organization.

The Fund will need other technical staff to work under the president, and to be assigned to projects which need technical expertise. The Board of Trustees and the president of the Fund will hire these additional persons as the need arises, and as finances permit.

It also is possible that the business community, as part of its support of the Fund, might lend technical personnel to the Fund, at no cost or at little cost, for specific projects and for limited time periods.

V CAPITALIZATION OF THE FUND

SYNOPSIS: If the fund is to work sucessfully, its capitalization should be large enough to support a full-time staff competent to work on a scale to match current federal, state and private programs. Authorizations for state and private housing programs alone have reached \$157.5 million. Approximately \$150,000 a year would be necessary to work on such a scale, the yield from a \$3 million revolving fund whose principal is invested at an average five per cent return. The bulk of the Fund, like other such funds in the nation, should come from the private sector. Other financing would come from charitable and foundation sources and, possibly, from fees charged by the Fund for consulting work.

The amount of money available to the Fund will determine, in large measure, what programs it can underwrite and how successful its efforts will be. The various sources of money will also establish and limit the role to be played by the Fund in the Boston metropolitan area by the terms on which the money is made available to the Fund.

If the Fund is to have a substantial prospect for success, the size of the Fund should be sufficient to support an organization with a full-time staff - a staff competent to work on a scale large enough to achieve substantial results in terms of the present available programs. These programs include, for example, in addition to the FHA Section 221-d-3, below-market interest rates, new housing programs authorized by Congress in 1968 and other programs dependent upon federal financing, the following:

(1)	<u>Massachusetts Housing Finance Agency</u>	\$50,000,000
(2)	<u>Section NN</u> of Chapter 121 of the General Laws (which provides a state-subsidized "Turnkey" program for low-income families)	\$37,500,000

(3) Section JJJ of Chapter 121 of the General Laws (which authorizes redevelopment authorities to issue bonds to finance rehabilitation in urban renewal areas) $20,000,000

(4) Private banking and insurance industry commitment to provide long-term mortgage financing $50,000,000

$157,500,000

Development funds in other cities have not generally endeavored to become operational with less than $1,000,000 committed. The new Houston, Texas, fund started with $1,500,000; the Cleveland Redevelopment Foundation operates on a $1,700,000 revolving-loan fund; the Hartford Development Corporation has $1,500,000.

These funds have been privately raised, for the most part from the business sector of the community, on a revolving-loan basis, on the assumption that over an extended period the Fund will become self-sustaining through repayment loans, where appropriate with interest and/or service charges for work performed by the staff. The validity of this assumption rests primarily on the vigor and competence of the staff, and the extent of commitment and follow-through which can come only from support for the staff in the business community.

In order to achieve a staff with the competence and financial resources to obtain leverage under the above programs on a metropolitan scale, and thereby to assure a successful use and return of the Fund advances, approximately $150,000 a year will be necessary. If this amount were all to be raised by investing the principal of the Fund at an average return of five per cent, a fund of $3,000,000 would be called for.

To the extend that the operating budget can be provided on a nonrecoverable basis, the total amount in the Fund can be less, but there is little prospect of obtaining grants from foundations or gifts from church groups without

assurance provided for the business community for sound use of unrecoverable funds. Thus the bulk of the Fund should come at the outset from the business community.

If the Fund is to be an effective catalyst for the production of housing, leadership and flexibility must be afforded by private capital. Once a clear direction for the Fund's activities is established and its results made more predictable, it is reasonable to expect that the Fund will receive money from charitable and public sources. The Fund has already received $25,000 from one church group, which is considering the further commitment of $250,000, if matching funds can be obtained from other sources.

It is possible that the Fund might add to its capital by contracting with the government agencies to take over some functions with are consonant with the purposes of the fund, or by serving as consultant. In those cases, the Fund, as a private agency, would charge a fee for its service. For instance, the Fund might be able to speed up the lagging Section 312 program in Boston, a federal program for FHA-insured loans for rehabilitation of housing, now administered in Boston by the Boston Redevelopment Authority.

Funds can be raised by grants, pledges, loans, or any other arrangement which is satisfactory to all concerned. A substantial part of the Fund should be committed for a sufficiently long period of time, to give the staff some measure of the future - a minimum of five years and a maximum of ten - and, to the extent current operating expenses are otherwise provided for, some of the Fund could pay interest, commencing in, perhaps, the third year of the loan.

The essentials of the Fund, then, are the leadership of the business community in Boston, in making sure that the Fund is large enough to work on a scale to match housing problems here, and the imagination and the vigor of the staff to be hired.

The business community has already shown that it is concerned about the state of the city through the formation of the Urban Coalition, the Urban

Development Corporation and the allocations of mortgage money by financial and insurance houses. The main purpose of the Fund will be to organize these efforts and others like them to provide the central energy to make sure that the commitment of the business community is not dissipated.

For those who manage and work in Boston's businesses have a keen interest in the city and the communities around it. They have an obvious economic interest in the health of the city and metropolitan area. They also subscribe to the deeper goal of the Fund: the creation of a stable metropolitan community, all of whose citizens are decently housed.

Pro-Forma Annual Operating Budget*

INCOME

Interest on Loans		
(1,000,000 at 4%)	$	40,000
Return on Investments of Capital		
(2,000,000 at 5%)		100,000
Grants		40,000
Fees for Services or Special Purpose Arrangements		50,000
Total	$	230,000

EXPENSES

Interest paid on $1,000,000 of Capital at 5%	$	50,000
Administrative Costs (Staff, Rent, Supplies, etc.)		
Central Office		60,000
Roxbury Office		35,000
Consultant Fees		
Legal, Architectural, etc.		10,000
Technological experiments in housing production, community organization, social services		60,000
Reserve for Bad Debts		15,000
Total	$	230,000

*Assumes a fully-operational budget, probably three years after establishment of the fund.

APPENDIX A

Major Federal Housing Programs*

1. Section 221 (d) (3) below market interest rate program for construction or rehabilitation: The program provides for mortgage financing up to 100 per cent of the replacement cost of the new or rehabilitated structures. Mortgages may cover a period of 40 years at a three per cent interest rate. The 100 per cent financing is to aid nonprofit organizations who wish to sponsor rental housing for moderate income families. Limited-dividend organizations also participate in the program and they are eligible for 90 per cent financing.

2. Rent Supplements: Under the program, mortgage financing for 100 per cent of replacement cost may be obtained at market interest for new construction or rehabilitation. An eligible low-income tenant pays 25 per cent of his monthly income toward rent. The rent supplement for these families is the difference between the 25 per cent of income and the market rent. The subsidy is administered by the Federal Housing Administration.

3. Section 202 housing for the elderly or handicapped: A direct government loan program administered by the Housing Assistance Administration, the program is intended to provide rental housing for elderly and handicapped persons whose incomes make them ineligible for public housing but who cannot afford market rentals. Loans can cover 100 per cent of total development costs at three per cent interest for up to a 50-year period.

4. Section 220 mortgage insurance for renewal areas: This section provides mortgage insurance for loans financing the purchase or rehabilitation of single or multi-family structures (up to 11 units) in certified urban renewal or federally assisted

*Prior to National Housing Act of 1968.

code enforcement areas. Repayment is over 30 to 35 years (or three-fourths of the remaining economic life of the structure to be rehabilitated, whichever is less) at market interest. Mortgage amounts vary according to the value of the project.

5. Section 221 (h) rehabilitation sales: This is a program designed to spur home ownership through the acquisition and rehabilitation of substandard or deteriorating structures by nonprofit corporations for sale to low-income families. The nonprofit sponsor can obtain 100 per cent financing of the appraised value of the structure, plus rehabilitation costs, at three per cent interest. To be eligible under the program, a mortgage must cover property or properties containing five or more single-family dwellings of detached, semi-detached or row construction. Low-income purchasers, whose mortgages will be insured by FHA, must pay at least $200 down which may be applied to closing costs.

6. Sections 312 and 115 grants and loans for rehabilitation: These sections, which apply to urban renewal areas, are for loans (Section 312) for rehabilitation at three per cent interest for up to 20 years, and rehabilitation grants (Section 115) to low-income homeowners of a maximum $1,500.

7. Section 221 (d) (2) purchase or rehabilitation: A market rate, long-term program, this allows low-income or moderate-income families to build, buy or rehabilitate single-family homes and allows low-income and moderate-income families displaced by government action to build, buy or rehabilitate one- to four-family structures. Owner-occupants are eligible for 100 per cent financing, others are eligible for lesser percentages. The repayment period is 30 to 35 years for most families; for displaced families, it can be up to 40 years.

8. Section 220 (h) insurance for home improvement loans: Loans are insured under the programs for the alteration, repair or improvement of existing one- to eleven-family structures in the same areas in which Section 220 applies. Repayment is over 20 years (or three-fourths of the remaining economic life of the structure to be rehabilitated, whichever is less) at market interest. Mortgage amounts vary according to the value of the project.

9. Public housing programs: Federal low-rent programs are administered by the Housing Assistance Administration. Contributions go to local housing agencies (LHA). The LHA applies for reservation of a given number and type of public housing units for low-income families and individuals and persons displaced by government action. The local governing body enters into an agreement with the LHA for municipal services and a payment of 10 per cent of shelter rents by the LHA for each project in lieu of taxes. Project costs are amortized over 40 years at a debt service level sufficient to repay development costs with interest. Rents are based on ability to pay and federal contributions make up the difference between project costs and the net yield from the housing.

Turnkey: This is a program, named for a construction term (to turn the key over) which allows the LHA to acquire housing built by a private developer under an agreement between the developer and the LHA before the housing is built. The developer owns the land, arranges his own financing, hires his own work crews and builds according to LHA specifications.

Leasing: The Leased Housing or Section 23 program allows the Housing Assistance Administration to make annual contributions to the LHA for leasing privately owned units for periods of one to five years for low-income families and individuals. The difference between what the family or individual can afford and the market rent is made up by the federal government.

Rehabilitation: The LHA may combine acquisition with (a) subsequent rehabilitation by contract; (b) subsequent rehabilitation by an LHA work force; or (c) rehabilitation by the Turnkey method, that is by an owner who meets LHA specifications in rehabilitating his units.

National Housing Act of 1968*

Section 235, home ownership: Low-and moderate-income families whose incomes are no more than 135 per cent of public housing admission limits will be allotted 80 per cent of the program funds. Twenty per cent is to go to families whose incomes range up to 90 per cent of 221-d-3 income limits.

*Not funded at this writing.

Under the program, interest rates may be subsidized down to a minimum of one per cent. The maximum mortgage is $15,000, but $17,500 for families of five or more. (An additional $2,500 is added in high-cost areas.)

Section 236, rental housing for low-and moderate-income families: The program is meant to replace the current 221-d-3 program. Nonprofits, limited-dividend corporations or cooperatives can be sponsors of rental housing under the program. Interest rates may be subsidized down to a minimum of one per cent, but tenants must pay 25 per cent of their income toward rent.

Section 221 (h), rehabilitation sales: This section is changed to allow a reduced interest rate on a home purchaser's mortgage, again to as low as one per cent, with periodic adjustments to fit interest payments to the homeowner's income.

Other Programs: The public housing program under the new act has been extended for three years with annual authorizations of $100 million the first year and $150 million the two following years. Another section authorizes additional financing for tenant services in public housing.

Under urban renewal authorizations, the new legislation allows neighborhood development programs to change the pace of urban renewal projects. The program will facilitate more rapid rehabilitation and redevelopment of blighted areas in programs which are carried out in a year's time. The act also includes an interim assistance program to make blighted areas livable pending permanent urban renewal or concentrated code enforcement.

Under rehabilitation assistance in renewal areas, the Section 312 rehabilitation loan program is extended, and the Section 115 grants for rehabilitation are raised from $1,500 to $3,000.

State Programs

Public Housing under state programs is administered by local housing authorities whose notes and bonds are guaranteed by the state government. Programs include housing for low-income families and individuals, the elderly and persons displaced by urban redevelopment.

Rental Assistance: Local housing authorities can pay the difference between market rent and what eligible families can afford in private units under this program. Leases are from one to five years.

Massachusetts Housing Finance Agency: This agency, recently funded, is authorized to borrow $50 million under a partial pledge of state credit for the financing of low- and moderate-income housing developments.

Section 26NN program for aid in the design, construction and operation of housing units for low-income families: The program, for which $37.5 million has been authorized, is administered by local housing authorities. The units may be in new buildings built by the local authorities or in buildings recently constructed or rehabilitated by others.

Section 26JJJ program for the purchase and rehabilitation of buildings in an urban renewal area: The program, for which $20 million has been authorized, is administered by local housing authorities.

FOOTNOTES

Preface

[1] Cf. Footnote Eight, Section I, below.

[2] Major programs in the new legislation are included in Appendix A of this document.

Section I

[1] See Appendix A, an outline of federal and state housing programs.

[2] A 1967 survey of average leased housing market rents in Boston showed that monthly rents were averaging from $85 for a studio apartment to $135 for a five-bedroom apartment. See Public Housing at the Crossroads: The Boston Housing Authority, May B. Hipshman, Boston, August, 1967, p. 4.

[3] Current Housing Reports, Housing Vacancies, U.S. Department of Commerce, March, 1968.

[4] Analysis of the Boston, Massachusetts Housing Market, U.S. Department of Housing and Urban Development, Oct. 1, 1966, Appendix, Table V.

[5] City Worker's Family Budget, U.S. Department of Labor, Autumn, 1966, p. 13.

[6] Analysis of the Boston, Massachusetts Housing Market, op. cit., p. 48. The figures do not include the demand for public housing or below market interest subsidy housing.

[7] Ibid., Appendix, Table IV. In what HUD delineates as the Central Area (Boston, Newton, Cambridge and Brookline) 53 per cent of the renter families in 1966 had incomes of $6,999 or less; 51 per cent of the renter households in 1966 in the entire housing market area had incomes of $6,999 or less.

[8] In the past year, several programs of a size to meet the housing problem in Boston have started. The first started late last year with the speedy processing of a $24.1 million commitment by FHA to rehabilitate under the 221-d-3 program 2,074 units in Roxbury and North Dorchester. (Other commitments followed, bringing the total number of units being rehabilitated to some 3,000.) This was the Boston Urban Rehabilitation Program (called by its acronym, BURP.)

Another was announced in the spring, a plan to create 1,000 units of low-income housing through quick construction on vacant lots throughout the city. This is the Infill Program whose main impetus comes from the Boston Redevelopment Authority. The main financing, under 221-d-3, was provided by John Hancock Insurance Co. and the developer is Development Corporation of America. The Boston Housing Authority has agreed to lease the units as they are constructed.

Again in the spring, a group of savings banks and insurance companies agreed to reserve a pool of $50 million for housing in the city. Subsequently, a group banking office was opened at 306 Warren Street in Roxbury, where correspondents are trying to serve residents of the area who wish to borrow from the pool.

Section II

[1]For an account of the national effort, see Chart, p. 6.

[2]Cf. Appendix A.

[3]The maximum rents in d-3 projects in Boston as of January, 1968 are:

Efficiencies (one person)	$101.67
1 bedroom (two persons)	133.33
2 bedroom (three or four persons)	145.00
3 bedroom (five or six)	166.67
4 bedroom (seven or more)	188.33

[4]The recent rent schedule agreed upon for a d-3 project in Somerville is:

1 bedroom	$115.00
2 bedroom	135.00
3 bedroom	155.00

not including parking (another $10 to $12 on the rent level, according to the FHA). A more recent one in the South End in which rental levels are not yet, at this writing, agreed upon will probably have rent levels about $3 higher.

[5]Boston Magazine, June, 1968.

[6]Cf. Footnote Eight, Section I, above.

[7]The amount of effort being put into the improvement of the black community seems to have occastioned a sigh of relief from communities skittish about integration. Fortunately or unfortunately for these communities, the push toward integration is still going on and is likely to gain momentum in the future.

"This is not an either-or matter," Robert Moore, director of Operation Open City in New York wrote in a letter to the New York Times (Jan. 2, 1968) but a matter of developing equal options for all races both within and without the core city.

"The liberals' argument assumes that just an improved black-controlled ghetto will satisfy black people. Implied here is that black people are willing to give up their rights as citizens for improvement in the ghetto...

"We are entitled to both an improved ghetto and the right to move out. And we demand both..."

[8] The difficulty lying in wait for attempts to integrate suburban housing may be illustrated by an attempt recently to build a 221-d-3 development in Stoughton. The development, called Presidential Court, was not meant to integrate a community but to provide middle-income housing which would mainly be used by families and individuals within the community. The development ran into increasing, often justified, technical difficulties. It also ran into an attitude that was expressed in the local newspaper, The Stoughton Chronicle (April 11, 1968):

> "Examples of the subtle racism which distorts the face of our land and prevents us all from being truly free men are only too easy to find in our town. The one which came to mind most vividly this weekend was the early opposition voiced by many visitors to this office to the Interfaith Housing Corporation's Presidential Court housing plan.
>
> "This was a plan, we were told, to 'bring niggers from Roxbury' into Stoughton. And, indeed, this was repeated often enough to represent a fairly widely held view. Once this piece of distorted thinking had been disseminated, it went underground and opposition to the project took other forms. More reasonable on the surface, many of these arguments cloaked the inability of some to examine their prejudices and be willing in the words of the racist euphemism to 'call a spade a spade.'"

[9] An example from the Waltham New Tribune (June 5, 1968) headed "Lincolnites Protest Low Cost Housing" (and to do justice to Lincoln, it should be noted at the outset that the article was a report of a meeting of residents held by a Lincoln committee studying the possibility of building low-income and middle-income housing in town):

> "Residents of the 'bedroom community' of Lincoln don't want their sleep interrupted by the building sounds of low cost housing, it was noted at a special meeting Monday night...
>
> "Presently there are nearly 1,200 homes in Lincoln, mostly in the high-priced bracket. There is also a two-acre zoning rule which prohibits many people from building in the town because of the added cost of buying such a tract of land...
>
> "The residents' chief complaint is that the less expensive housing would cause the character of the town to be lost."

[10] Economic Base and Population Study, V. III, Population Projections for the Eastern Massachusetts Region, Metropolitan Area Planning Council, Boston, March, 1967.

Section III

[1] Definition adapted from A Critical Analysis of Selected Private Development Funds, Action, Inc., May, 1964.

[2] The news that a metropolitan housing development fund had been proposed by Citizens Housing and Planning Association quickly brought several requests for front-money funds from non-profit groups who lack the money to get started in federally insured housing programs. Many groups in Boston have been active or have indicated interest in such programs, and requests from suburban communities are increasing for help in guiding church and civic groups into housing programs.

[3] Sen Brooke again: "All of the ill effects of this situation can be illustrated by the experience of the 221-d-3 program, administered by the FHA. Under this program, a nonprofit group - church, civic organization or union - sponsors a low-income housing program. Obviously, such a group has neither the expertise nor the financial interest of the profit sponsor; nonprofit sponsors are groups of concerned citizens who wish to do their share to alleviate the nation's housing crisis. Clearly, it is necessary to establish special procedures for dealing with these groups, to give them every possible assistance. The record shows, however, that FHA has paralyzed and alienated many nonprofit sponsors by entangling them in bureaucratic red tape; in some cases it has required the group to assume financial responsibility for any losses of the project, frequently an impossibility for a nonprofit sponsor." Boston Magazine, op. cit.

[4] Because of the technical requirements in federal regulations, the limited-dividend corporation can furnish far less than 10 per cent of the equity.

[5] The advantage to profit making developers is in the tax allowances of the Internal Revenue Service in accelerated depreciation. A developer, using the double declining balance method of computing depreciation, takes his depreciation benefits out in less than half the normal life span of the building.

For instance, for a $1 million rehabilitation project, a limited-dividend developer can acquire a mortgage of 90 per cent of the total cost, ($900,000), which leaves him a 10 per cent equity requirement, ($100,000). However, he can include in the $1 million cost, a risk allowance (about $62,000) which he can later apply to his own equity requirement. His cash equity, then, is brought below the 10 per cent, to about $38,000, and can, through other arrangement with the FHA, be brought lower.

The accelerated depreciation gives him a tax loss, a negative cash flow which allows him to recover almost all of his $38,000 by the end of the second year.

The disadvantage in the method is that as depreciation peters out, around the tenth year, the building becomes less and less a valuable tax shelter. The advantage at this stage to a nonprofit organization is that the developer might well be persuaded to sell the building or give it away to the nonprofit organization.

[6] Cf. Footnote Eight, Section I, above.

[7] The handling of the Infill Program is an example of packaging, the combining of private money with a federal program under a limited-dividend developer with the Boston Housing Authority waiting with the leased housing program at the end of the process. There is also some speculation that the units involved will be sold to tenants, perhaps as a cooperative, after the developer gets his money out through depreciation. The administration of the Section 312 rehabilitation loan program also might fit into a package with the funding of undercapitalized contractors, especially in the black community, who would do rehabilitation work.

[8] Cf. subsection on Quick Money, Section II.

[9] Someone has pointed out the difference between the building industry and large corporations by noting what would happen if a consumer bought an automobile the way he bought a house. He would hire a designer who would work with an automobile contractor who would, in turn, hire craftsmen skilled in windshield fitting, tires, etc.